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Supreme Court of the United States.

OCTOBER TERM, 1930.

No. 46.

LOUIS H. ENSTEN AND LION KNITTING MILLS COMPANY,
Petitioners.

vs.

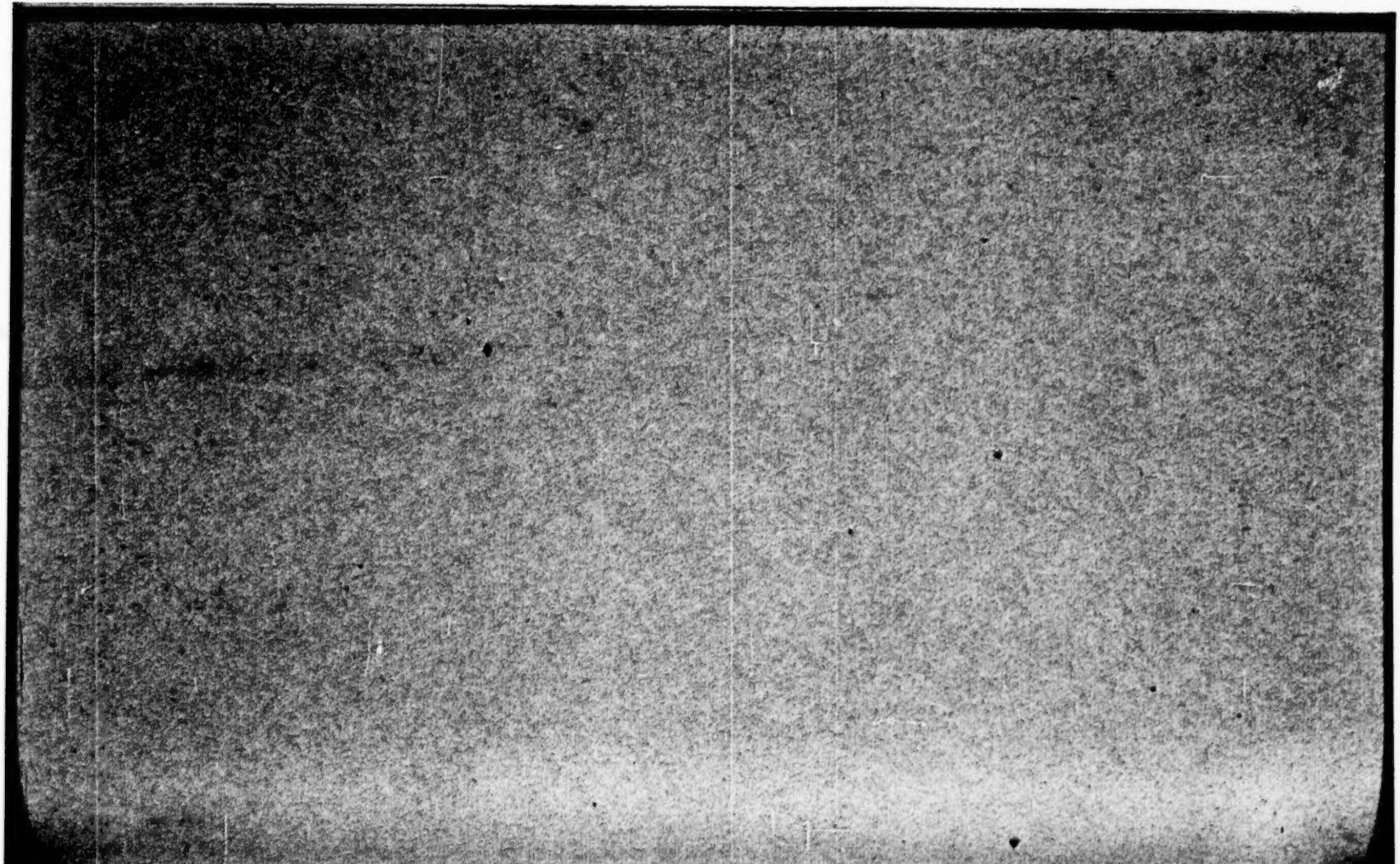
SIMON ASCHER & CO., INC.,
Respondent.

MOTION AND BRIEF AS AMICUS CURIAE BY EXCELSIOR STEEL FURNACE COMPANY.

BENJAMIN P. ROODHOUSE,
JAMES A. BROWN,
CHARLES NEAVE,
Of Counsel for
EXCELSIOR STEEL FURNACE CO.

NOVEMBER, 1930.

The Evening Post Job Printing Office, Inc., 134 Fulton St., New York, N. Y.



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LOUIS H. ENSTEN & LION KNITTING MILLS COMPANY,
Petitioners,

AGAINST

SIMON ASCHER & CO., INC.,
Respondent.

MOTION BY EXCELSIOR STEEL FURNACE COMPANY FOR LEAVE TO FILE BRIEF AS AMICUS CURIÆ.

MAY IT PLEASE THE COURT:

The undersigned, as counsel for Excelsior Steel Furnace Company, respectfully move this Court for leave to file the accompanying brief as *amicus curiæ*.

BENJAMIN F. ROODHOUSE,
JOHN A. BROWN,
CHARLES NEAVE,
Counsel for
Excelsior Steel Furnace Company
as *amicus curiæ*.

Assented to:

O. ELLERY EDWARDS,
Counsel for Petitioners.

JOHN F. NEARY,
Counsel for Respondent.

SUPREME COURT OF THE UNITED STATES,

OCTOBER TERM—1930.

No. 46.

LOUIS H. ENSTEN & LION KNITTING MILLS COMPANY,
Petitioners,

AGAINST

SIMON ASCHER & CO., INC.,
Respondent.

BRIEF FOR EXCELSIOR STEEL FURNACE COMPANY AS AMICUS CURIÆ.

In the present case, the Court of Appeals for the *Second* Circuit has held that where a claim of a United States patent is held to be invalid by the *interlocutory* decree of a District Court, the patentee is guilty of unreasonable delay unless he either appeals from such decree, or promptly files a disclaimer of the claim held invalid (38 F. (2d) 741).

In the case of *Excelsior Steel Furnace Co.* vs. *F. Meyer & Brother Co.*, the Court of Appeals for the *Seventh* Circuit held (36 F. (2d) 447, 449):

> "We think that in no case would a court be justified in finding that a patentee unreasonably delayed the filing of a disclaimer until after the expiration of the statutory period within which he might further litigate the question of the validity of the contested claims. * * * Appellant could, under the interlocutory decree, proceed with its hearing before the Master, and, after final

> decree was entered, appeal to this Court, and later apply to the Supreme Court, at which time it could attack that part of the decree which held its claims 1 and 2 invalid. Until then, the holder of a patent cannot be said to have unreasonably neglected or delayed to enter a disclaimer."

Speaking of its own decision, the *Second* Circuit Court of Appeals said (78 F. (2d) 72):

> "This decision appears to be in direct conflict with the principle upon which a decision of the Seventh Circuit has very recently been handed down. *Excelsior Steel Furnace Co.* vs. *F. Meyer & Brother Co.* (C. C. A.) 36 Fed., 2nd, 447."

The Excelsior Steel Furnace Co. which has requested leave to file this brief as *amicus curiæ*, was the plaintiff in the Seventh Circuit suit. It believes that the decision of the Seventh Circuit Court was correct. It has gone to much trouble and expense in litigating that suit. In addition to the patent there involved, it is the owner of a large number of other patents, some of which have been infringed and over which litigation is almost certain to arise in the near future. While it believes that all of the claims of these patents are valid, it is always possible that one or more may be construed so broadly as to be invalid. In such case it is essential, to avoid the loss of valuable rights, that it know when and under what circumstances a disclaimer should be filed. The Excelsior Company was met with a very similar situation and forced to the expense of a rehearing, on the point of unreasonable delay in filing a disclaimer, in its earlier action against Williamson Heater Co. on another patent (269 Fed. Rep. 614; C. C. A. 6). The question is not only of great importance to the Excelsior Company, but also to many other litigants and to the public at large. The Excelsior Company has, therefore, asked leave to submit this brief, presenting its argument supporting the decision of the Seventh Circuit Court of Appeals.

The Disclaimer Statutes.

The disclaimer statutes involved are Sections 4917 and 4922 of the Revised Statutes (U. S. Code, Title 35, Sections 65 and 71, respectively). The first specifies the conditions under which a disclaimer may be filed and the character, disposition, and effect thereof. The second provides that, although a patentee may have claimed in his patent to be the inventor "of any material or substantial part of the thing patented, of which he was not the original and first inventor," a suit on his patent may still be maintained, provided a proper disclaimer is filed, but

> "no patentee shall be entitled to the benefits of this section if he has unreasonably neglected or delayed to enter a disclaimer."

Speaking of these statutes, this Court in *Hailes* v. *Albany Stove Co.*, 123 U. S. 582, in passing on a patent granted under the law of 1836, said:

> "They are parts of one law, having one general purpose; and that purpose is to obviate the inconvenience and hardship of the common law, which made a patent wholly void if any part of the invention was wrongfully claimed by the patentee, and which made such a defect in a patent an effectual bar to a suit brought upon it."

In *O'Reilly* v. *Morse*, 15 How. 62, the Court also said:

> "The law which requires and permits him (a patentee) to disclaim is not penal but remedial. It is intended for the protection of the patentee as well as the public, and ought not, therefore, to receive a construction that would restrict its operation within narrower limits than its words fairly import."

And, in *Sessions* v. *Romadka*, 145 U. S. 29:

> "The power to disclaim is a beneficial one and ought not to be denied except where it is resorted to for fraudulent and deceptive purposes."

Thus, the Statutes provide that, in case the patent owner has inadvertently claimed more than he was justly entitled to—*i. e.*, has an invalid claim in his patent—he may prevent the whole patent from being void by entering a proper disclaimer, *provided* he does so without unreasonable neglect or delay.

If a disclaimer is required because a claim is invalid, the question is: When, how, and by whom is its invalidity to be determined before an obligation to disclaim arises?

Argument.

Let us assume that a District Court enters a decree to the effect that certain claims of a patent are valid and infringed (an injunction and an accounting being ordered with reference to them) and that certain other claims are invalid as being for something of which the patentee was not the original and first inventor.

Under the statutes and practice relating to the trial of patent causes, what courses are open to the plaintiff to obtain a final determination of the question of validity of the claims held to be invalid?

FIRST: The plaintiff may (a) appeal from the *interlocutory* decree holding those claims invalid and, if unsuccessful on appeal, may (b) apply to this Court for a writ of *certiorari*.

Formerly, the plaintiff could not thus appeal at this stage of the case. But, by USCA, Title 28, Section 227, "an appeal *may* be taken from such interlocutory order or decree to the circuit court of appeals". Note that this is permissive only; it does not require that the appeal shall be taken then if any review is ever to be had. And the word "may" in a statute is never to be construed as mandatory except when

necessary to give effect to the clear meaning (*Thompson* v. *Roe*, 22 How. 422) which is not the situation here.

SECOND: The plaintiff may permit the defendant's appeal, if any, and the accounting, under the claims held valid and infringed, to proceed and a final decree to be entered and may (a) appeal from the *final* decree and, if unsuccessful on appeal, may (b) apply to this Court for a writ of *certiorari*.

Such appeal from a final decree is provided for in USCA, Title 28, Section 225. That appeal is a matter of right (*ex parte Jordan*, 94 U. S., 248).

THIRD: Irrespective of which of the foregoing courses is followed, the plaintiff may bring a suit on the same patent in another Circuit, or prosecute such a suit then pending. If the decision of the Circuit Court of Appeals of that Circuit is that the claims are valid, so that there is a conflict of decision as between two Circuit Courts of Appeals, the plaintiff may apply to this Court for a writ of *certiorari* in the first case, in which the claims were held invalid, provided that the time limited for such application has not then elapsed.

Those being the courses open to a plaintiff, under the provisions of the Statutes, do the disclaimer Statutes require that a plaintiff shall adopt one course rather than another? Do they deprive a plaintiff of the statutory right to appeal from a final decree?

The Circuit Court of Appeals of the Second Circuit has so held.

It seems to us that the fallacy underlying that holding is that it treats the disclaimer Statutes as requiring the utmost diligence in ascertaining whether the claims are invalid, instead of as requiring (as they do) diligence only *after* it has been finally established that the claims *are* invalid. That is, the basis of the holding is that the patent owner is a quasi trustee for the public and owes to it a duty to have validity or invalidity finally determined promptly.

Such a theory was emphatically rejected by this Court in

United States v. *American Bell Telephone Company*, 167 U. S. 224, as follows:

> "Counsel seems to argue that one who has made an invention and thereupon applies for a patent therefor, occupies, as it were, a position of quasi trustee for the public; that he is under a sort of moral obligation to see that the public acquires the free use of that invention as soon as it is conveniently possible. We dissent entirely from the thought thus urged."

In that case, the Court further held:

> "Neither can a party pursuing a strictly legal remedy be adjudged in the wrong if he acts within the time allowed, and pursues the method prescribed by the statute. * * * IF HE HAS TWO YEARS AFTER A JUDGMENT AGAINST HIM WITHIN WHICH TO TAKE AN APPEAL HE MAY WAIT UNTIL THE LAST DAY OF THE TWO YEARS. * * * The Statute has given this right, and no consideration of public benefit can take it from him. His right exists because Congress has declared that it should. * * * A party seeking a right under the patent statutes may avail himself of all their provisions, and the courts may not deny him the benefit of a single one. These are questions, not of natural, but of purely statutory, right. * * * If the public is interested in prompt action, if the Government which represents the public thinks that more speed on the part of any of its tribunals is essential, it is the Government which is called upon to act, and the applicant may with propriety wait until either the tribunal has acted or until the Government, having regard for the public interest, has interfered to compel action. * * * As the lawmaking power has prescribed what the public will give, specified the terms and conditions of purchase, indicated the time and methods of determining the right of compensation, he on his part has an absolute legal right to avail himself of the provisions thus made. (Emphasis added.)

A more recent case to the same effect is *Overland Motor Co.* v. *Packard Motor Car Co. et al.*, 274 U. S. 417.

Clearly, the plaintiff owes no duty to the public to proceed otherwise than as the Statutes give him the right to

proceed; so long as the Statutes give him the choice as between two courses of appeal, he is free to exercise that choice. And, clearly, the disclaimer Statutes do not and cannot deprive him of that right. They do not purport to do so. They become effective only *after* the invalidity of the claims has been determined in any one of the ways in which the plaintiff is free to proceed to have that question finally determined.

That no laches can be imputed to a plaintiff because he does not appeal from an interlocutory decree should be clear from the decision in *John Simmons Co.* v. *Grier Brothers Co.*, 258 U. S. 82, 91. There the Court held that there could be no laches in omitting to make application for *certiorari* after an interlocutory decision by a Circuit Court of Appeals holding a claim of a patent to be invalid, saying:

> "* * * They simply accepted an adverse decision as to a part of their suit, not open to further appeal at their instance, and proceeded in the orderly mode to pursue their suit as to the rest. *They were not guilty of laches for omitting at that stage to make application to this court for allowance of a writ of certiorari.* That mode of review is not a right of a party, but lies in this court's discretion; peradventure the very fact that a final decree had not yet been entered might have been deemed a sufficient ground for refusing the writ." (Emphasis added)

In the last sentence of this quotation is found a reason why a plaintiff might well not wish to appeal from the interlocutory decree holding certain claims invalid. If he does, and loses on appeal, "the very fact that a final decree had not yet been entered might have been deemed a sufficient ground for refusing the writ" of *certiorari*.

In the present case, the Court of Appeals of the Second Circuit stated that further consideration of the matter by it was foreclosed by its previous decision in *Hoe & Co.* v. *Goss Printing Co.* 31 F. (2d) 565. In that case the Court stated that it was argued that even after the decision on appeal from an interlocutory decree and even after denial

of a writ of *certiorari* to review that decision, the plaintiff need not disclaim and

> "that the Circuit Court of Appeals of another circuit might disagree with our ruling, and the Supreme Court would then take the case on certiorari and might declare the claims valid. A disclaimer would merely destroy this right, though the defendant is protected forever by its decree, and really has no interest in the disclaimer at all. While we acknowledge the difficulty and the possibility it appears to us that so to extend the patentee's time might result in avoiding the statute altogether. The patentee may not sue again, or, if he does, the result may be the same. It does not follow, because two Circuit Courts of Appeals have held the same way, that a third will not disagree. Must the patentee disclaim at the conclusion of the second suit, or may he wait until all nine circuits have passed upon his claims? The question is at best of seasonable action, and in practice there must be some end, short of exhausting all conceivable remedies. When the patent has once passed through all the courts then available, the statute should have its effect; else the putatively invalid claims may remain as scarecrows, preserved against the bare possibility that at some future time they may come to life."

If this were the law it would have been destructive of the patent in *Abercrombie & Fitch Co.* v. *Baldwin*, 245 U. S. 198. It appears that the Court of Appeals for the Third Circuit held the claim invalid on an appeal from an interlocutory decree, and it was not until ten months later that the second Court, namely, the Circuit Court of Appeals for the Second Circuit, held the claim valid. According to the doctrine of the Second Circuit in the instant case, the patentee in the *Abercrombie* case, to save the rest of his patent, should have immediately disclaimed upon the rendering of the decision by the Third Circuit. But if the patentee had done so, his right to litigate the claim in the other suit, and his right to apply to this Court for the writ which was eventually granted would, by such disclaimer, have been

forfeited, with the result that the patentee would have relinquished a claim which this Court eventually held valid.

The Court of Appeals of the Second Circuit, in its decision in the *Hoe* case from which we have quoted, imagines difficulties which should not exist. It says that "the patentee may not sue again" in another circuit. Our view is that, if he does not, he should file a disclaimer.

That is, we conceive the law to be that, so long as a plaintiff is, in one or a series of cases, in good faith prosecuting his litigation along one or another of the lines which the Statutes permit him to follow in order to obtain a final determination as to the validity of his claims, the question of filing a disclaimer does not even arise. If the continuity of his effort once is broken—if he does "not sue again", to use the words of the Court of Appeals—the final adjudication has been reached. *Then* disclaimer statutes *begin* to operate. He must then be diligent in disclaiming, if he desires any benefit from the disclaimer statutes.

Such a conclusion would be entirely in harmony with *Silsby* v. *Foote*, 61 U. S. 378; this Court said:

> "The Saxton stove was produced on the trial of the feigned issues, after this suit had been commenced, and *the question has been in controversy from thence to the present time*, whether or not the arrangement, construction and use of that stove, had the effect to disprove the first claim in the complainant's patent. It would be going too far, therefore, under these circumstances, to hold that the delay in entering the disclaimer was unreasonable within the meaning of the Statute. A majority of the court is of opinion the delay has not been unreasonable within the meaning of the Act, so as to defeat the recovery."

But the Circuit Court of Appeals asks, in the *Hoe* case, whether the plaintiff may "wait until all nine circuits have passed upon his claims?" It is not conceivable that a plaintiff would bring so many suits after repeated failures. But, if he did, the question would then be as to whether he was prosecuting the litigation in good faith. If it should, for

some now unimaginable reason, be held that he was, the disclaimer should await the result. If it were held that such prosecution was not in good faith, it should be held that a final adjudication had been reached, and that the disclaimer statutes came into effect.

The disclaimer statutes were enacted at a time when there were no Circuit Courts of Appeals; the appeal was direct to the Supreme Court. If the Second Circuit Court of Appeals was right in finding, in the *Hoe* case, some embarrassment growing out of the fact that nine appellate courts now exist, that affords no reason for adopting any new construction of the disclaimer statutes. It merely raises the question as to the advisability of new legislation modifying those statutes.

Respectfully submitted,

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